

Message Text

UNCLASSIFIED

PAGE 01 LONDON 11053 01 OF 02 181804Z

44

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01

L-03 H-02 PA-02 PRS-01 (ISO) W
----- 118510

R 181744Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3008

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 11053

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING JULY 18

REF: LONDON 9263

BEGIN SUMMARY: REACTION TO LAST WEEK'S WHITE PAPER ON
WAGES AND PRICES DOMINATED THE ECONOMIC SCENE THIS WEEK.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 11053 01 OF 02 181804Z

AMID WIDESPREAD SPECULATION OVER THE BREADTH AND NATURE

OF SUPPORT FOR THE WAGE AND PRICE POLICIES CONTAINED IN THE WHITE PAPER, POCKETS OF SUPPORT BEGAN TO APPEAR IN QUARTERS ESSENTIAL TO THE SUCCESS OF THE POLICY. WHILE THE WHITE PAPER REPRESENTS A NEW FACTOR IN THE ECONOMIC EQUATION, IT WILL HAVE LITTLE IMMEDIATE IMPACT ON THE DIRECTION OF THE MAJOR ECONOMIC INDICATORS. END SUMMARY.

1. EMPLOYMENT: THERE ARE PRESS REPORTS THAT INTERNAL PRELIMINARY TREASURY ESTIMATES PROJECT UNEMPLOYMENT TO REACH A LEVEL OF 1.5 MILLION DURING THE COURSE OF 1976. IF TRUE, THIS WOULD GIVE RECOGNITION TO THE LIKELIHOOD THAT UNEMPLOYMENT WILL SURPASS THE LEVEL OF ONE MILLION JOBLESS, ONE THAT HAS NOT BEEN EQUALED IN THE POST WAR PERIOD.

2. CURRENT ACCOUNT: ALTHOUGH THERE WAS A DETERIORATION OF SOME 153 MILLION POUND (S.A.) IN THE U.K. CURRENT ACCOUNT POSITION, JUNE OVER MAY, THE UNDERLYING TRENDS APPEAR TO CONFIRM A SUBSTANTIAL REDUCTION IN THE 1974 DEFICIT. THE JUNE DEFICIT OF 49 MILLION POUNDS BRINGS THE SIX MONTH DEFICIT TO 458 MILLION POUNDS COMPARED TO 1,890 MILLION POUNDS RECORDED IN THE FIRST SIX MONTHS OF 1974. THE JUNE VISIBLE TRADE DEFICIT OF 168 MILLION POUNDS WAS COMPOSED OF A 223 MILLION POUND DEFICIT IN OIL-RELATED TRADE AND A NON-OIL TRADE SURPLUS OF 54 MILLION POUNDS. THE SURPLUS ON INVISIBLE TRADE CONTINUES TO SHOW AN ESTIMATED SURPLUS OF 120 MILLION POUNDS PER MONTH. SEE REFTEL FOR DETAILS.

3. WHOLESALE PRICES: AFTER A 2.75 PERCENT INCREASE IN MAY, THE WHOLESALE PRICE INDEX MEASURING OUTPUT PRICES ROSE BY JUST 0.8 PERCENT IN JUNE. THE MAY FIGURE WAS DISTORTED BY THE TAX INCREASES INCLUDED IN THE APRIL BUDGET. THE SLOWER RATE OF INCREASE IN JUNE MAY PRESAGE A SLACKENING OF INFLATIONARY PRESSURES ON PRICES PAID BY MANUFACTURERS. THE INDEX OF OUTPUT PRICES (EX FACTORY) ROSE FROM 187.3 IN MAY TO 188.8 IN JUNE WHILE THE INDEX OF MATERIALS PRICES (IMPORTS) ROSE FROM 225.8 TO 227.5. SINCE JULY 1974 THE OUTPUT PRICE INDEX HAS RISEN BY 23

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 11053 01 OF 02 181804Z

PERCENT WHILE THE INDEX OF MATERIALS PRICES HAS INCREASED BY 7.2 PERCENT. OVER THE PAST 3 MONTHS THE INCREASES WERE 3.6 AND 2.1 PERCENT, RESPECTIVELY. (THESE INDICES ARE BASED ON 1970 EQUALS 100.)

4. RETAIL PRICES: THE RETAIL PRICE INDEX FOR JUNE WAS 137.1 (1974 EQUALS 100) AN INCREASE OF 1.9 PERCENT OVER THE MAY LEVEL OF 134.5. FOR THE CURRENT 12 MONTH PERIOD

THIS INDEX HAS RISEN BY 25.0 PERCENT WHILE THE RISE OVER
THE PAST THREE MONTHS WAS 6.2 PERCENT. THE RAPID IN-
CREASE IN RETAIL PRICES REFLECTS IN PART THE PASSING
THROUGH BY MANUFACTURERS OF LARGE WAGE SETTLEMENTS EARLI-
ER IN THE YEAR.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 11053 02 OF 02 181801Z

44

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 TRSE-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01

L-03 H-02 PA-02 PRS-01 /111 W
----- 117291

R 181744Z JUL 75

FM AMEMBASSY LONDON
TO SECSTATE WASHDC 3009
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

UNCLAS SECTION 02 OF 02 LONDON 11053

5. EXCHANGE RATE AND GOLD:

(DATES)	7/10	7/17	CHANGE
EXCHANGE RATE	\$2,2000	\$2.1800	DOWN \$0.0200
EFFECTIVE DEPRECIATION			
(PERCENT)	27.1	26.6	NARROWED 0.5

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 11053 02 OF 02 181801Z

GOLD	\$164.00	\$164.00	NO CHANGE
------	----------	----------	-----------

6. FORWARD DISCOUNT ON STERLING:

(DATES)	7/10	7/17	CHANGE
1 MONTH	0.48	0.55	UP 0.07
3 MONTHS	1.42	1.70	UP 0.28
6 MONTHS	3.10	3.50	UP 0.40

(ALL FIGURES IN CENTS)

7. EURODOLLAR INTEREST RATES:

(DATES)	7/10	7/17	CHANGE
1 MONTH	6-5/8	6-3/8	DOWN 1/4
3 MONTHS	7-1/4	7	DOWN 1/4
6 MONTHS	8	8-1/8	UP 1/8

8. LOCAL AUTHORITY DEPOSIT RATES:

(DATES)	7/10	7/17	CHANGE
1 MONTH	9-1/8	9-7/16	UP 5/16
3 MONTHS	9-1/2	9-11/16	UP 3/16
6 MONTHS	10	10-1/16	UP 1/16

9. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 10 PERCENT ON FRIDAY, JULY 18, 1975.

RICHARDSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, PAPERS, ECONOMIC REPORTS, ECONOMIC ESTIMATES, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON11053
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750249-0299
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750743/aaaabmgg.tel
Line Count: 207
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 LONDON 9263
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 13 JAN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JAN 2003 by ThomasVJ>; APPROVED <15 MAR 2004 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING JULY 18
TAGS: ECON, EFIN, UK, TRSY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006